

## Key CPUC Actions related to Greenhouse Gas (GHG) Emissions

### INTERAGENCY ACTIVITIES TO DATE September 2006

#### CPUC and CEC Adopted Energy Action Plan I, March 2003

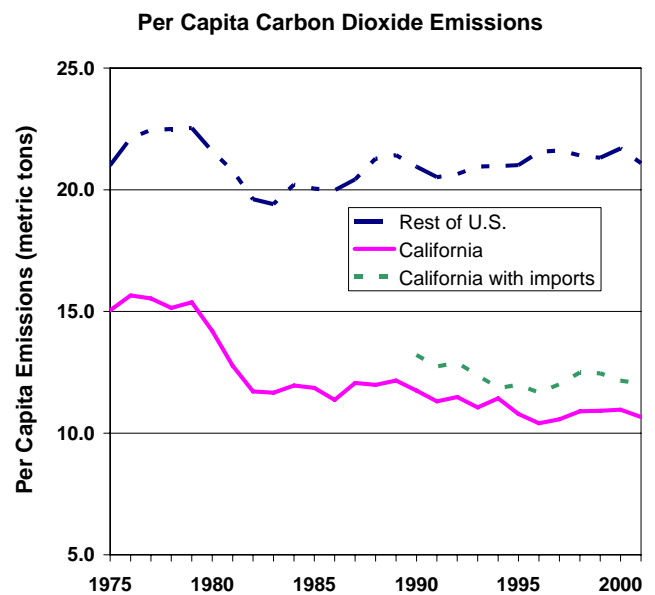
The CPUC and CEC committed to decrease per capita energy use and reduce toxic emissions and gases through increased conservation, efficiency, and renewable resources. Generally, coal is more harmful to the environment than natural gas due to the mercury, greater criteria pollutants (sulfur dioxides, etc) and greenhouse gases emitted using fossil fuel for generation..

Goal: Balance cost impacts, resource diversity, and environmental responsibility.

- Establishes a 'loading' order of energy resources
  1. Energy efficiency and conservation (savings goals through 2012 adopted in Sept 2004, currently assessing saving goals targets beyond 2012)
  2. Demand Response
  3. Renewable generation (20% by 2010)
  4. Other generation

#### Governors Statewide GHG Reduction Targets, June 2005

- Executive Order S-3-05 on June 1, 2005, establishes greenhouse gas (GHG) emission reduction targets that call for a reduction of greenhouse gas emissions to 2000 levels by 2010; to 1990 levels by 2020; and to 80 percent below 1990 levels by 2050.
- While California's per capita carbon dioxide emissions and energy usage figures are much lower than the U.S. national average, California is the twelfth largest carbon emitter in the world. The Governor's Executive Order seeks to reduce statewide emissions overall.
- CPUC Participation in the Climate Action Team. The EO also directs Cal-EPA to lead a multi-agency effort to conduct an analysis of the impacts of climate change on California and to develop strategies to achieve the targets and mitigation and adaptation plans for the State. **The strategies identified by CAT anticipate significant reductions from the electric sector in particular.**
- CAT Final Report to the Governor issued in April 2006. Report includes recommendations for CPUC strategies including:
  - Energy Efficiency Programs
  - Solar Programs
  - Accelerated Renewable Portfolio Standard- 20% by 2010 and 33% by 2020
  - Electric Sector Carbon Policy



## **CPUC and CEC Energy Action Plan II, October 2005**

Includes key CPUC actions specific to greenhouse gas emissions:

- Report to the Governor on the findings of the Climate Action Team subgroup on electric sector strategies for the State.
- Consider 2010, 2020, and 2050 greenhouse gas reduction targets for retail sellers of electricity to contribute to the Governor's greenhouse gas emission reduction targets.
- Coordinate with the Climate Action Team on the regulatory proceeding that is considering establishment of a cap for IOUs.
- Ensure that energy supplies serving California, from any source, are consistent with the Governor's climate change goals.
- Identify western state policies and strategies to achieve production of 30,000 MW of clean energy across the west by 2015, consistent with the Western Governors' Association Clean and Diversified Energy Committee and West Coast Climate Initiative goals. ,
- Identify methodologies to quantify expected costs and benefits of climate change policies.

## **RELEVANT CPUC PROCEEDINGS**

### **Greenhouse Gas Emissions Estimates**

- IOUs must include emissions estimates associated with their procurement plans, and emissions reductions associated with their EE programs and energy savings targets.
- Estimates of greenhouse gases associated with both procurement activities and demand reductions are in the nascent stages and require considerable refinement to correctly reflect emissions.

### **CPUC Adopted Carbon Adder in December 2004 and April 2005 Decisions: Avoided Cost Proceeding (R.04-04-025, D.05-04-024)**

- In December 2004, CPUC adopted a new policy requiring the IOUs to explicitly account for the financial risk associated with greenhouse gas emissions in evaluating new long-term resource investments.
- In April, 2005, the CPUC adopted an \$8 value per ton of CO<sub>2</sub> to be used by the utilities as a "Greenhouse Gas Adder" in long term planning or procurement (five years or longer). The adder is for evaluation of contracts and is not for payment by any entity.

### **Greenhouse Gas Cap and Performance Standard Proceeding: (R.06-04-009)**

- Rulemaking initiated in April 2006 to implement a load based cap on the regulated energy utilities, and to consider implementation of a greenhouse gas performance standard. Proceeding is coordinated with Climate Action Team, Legislature, and existing Commission proceedings and policies.
- **Performance Standard:**
  - CEC recommended in 2005 IEPR, CPUC adopted policy statement in October 2005 requesting staff investigate such a program.
  - Sets a policy preference for a GHG emissions performance standard for IOU energy procurement that is no higher than the GHG emissions levels of a combined-cycle natural gas turbine for all energy procurement contracts that exceed three years in length and for all new IOU owned generation. Commits to coordinating with existing CPUC policies and statewide efforts to reduce

emissions. Identifies offset policies and reporting requirements as key issue areas to resolve.

- CPUC currently reviewing options to implement an interim performance standard in advance of a GHG cap going into effect.
- Pre-hearing conference held May 24, 2006. Workshops held June 21-23 to address scope and design of an initial greenhouse gas performance standard, with Workshop Report issued in August. Idea is to potentially implement a GHG performance standard while a cap program is still being designed. Commission Decision anticipated by February 2007.
- **GHG Cap:** Pre-hearing conference anticipated in Q3 2006. Subsequent schedule to be developed that will address scope and implementation timeline. Coordinating with CA Air Resources Board and CA Energy Commission as required by AB 32.

#### **New Legislation: August 2006**

- **SB1368: “Emissions Performance Standard” (Perata)**
  - Codifies GHG emissions performance standard and applies it statewide (including municipal utilities)
- **AB32: “Greenhouse Gas Cap Program” (Pavley/Nunez)**
  - Creates framework for statewide market-based GHG regulation (aka “cap and trade”)
  - Includes electric sector
  - Mandatory emissions verification and reporting under CA Air Resources Board